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MAKERERE UNIVERSITY BUSINESS SCHOOL

SOCIAL NORMS, PRODUCT AWARENESS, CUSTOMER ATTITUDES, PERCEIVED MORTGAGE RISK AND PERFORMANCE OF MORTGAGE LOANS: THE CASE OF SELECTED COMMERCIAL BANKS

BY

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(PLAN A)

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DECLARATION

I, Kalule-Ssengo Emmanual declare that this dissertation is an original work resulting from my own research effort and has never been submitted to any other institution for any award. Where ideas have been borrowed from other scholars, due acknowledgement has been made.

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APPROVAL

This dissertation has been written under our supervision and is now ready to be submitted to the University for examination.

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DEDICATION

This piece of work is dedicated to my wife, Mrs. Ruth Kalule-Ssengo, my daughters; Irene, Spranza, Cecilia, Anne and Pauline, my sons; Anthony, Harris and Joseph, and my sons-in-law; Mr. Jovan Ssekitoleko Ssali and Mr. Peter Sewagudde.

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ACRONYMS/ ABBREVIATIONS

ANOVA	-	Analysis of Variance
CVI	-	Content Validity Index
MOWHC	-	Ministry of Works, Housing and Communication
SPSS	-	Statistical Package for Social Scientists
UDHS	-	Uganda Demographic and Health Survey
UGX	-	Uganda Shillings

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ABSTRACT

The study sought to investigate the relationship between social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans in selected commercial banks. The study undertook a cross sectional survey design with a population of 28 commercial banks from which only 10 commercial banks that offer mortgage financing were selected. A structured questionnaire was used to collect data. Measurement of the variables of the study (social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans) was done and subjected to rigorous data processing and analysis using the relevant statistical computer software packages (SPSS V23 & PLS-SEM). Findings indicated that there were positive and significant relationships between social norms, product awareness, customer attitudes and performance of mortgage loans, whereas, a negative significant relationship was observed between perceived mortgage risk and performance of mortgage loans in commercial banks. The results from regression analysis showed that product awareness, customer attitudes and perceived mortgage risk were significant predictors of the performance of mortgage loans in commercial banks except social norms. The study recommends therefore, that since the model could only explain 59.5% in variance of the performance of mortgage loans, a study be carried out comprising of other factors which were not part of the model. Some of the factors that should be considered should include customer satisfaction, service quality, favorable interest rates, favorable mortgage policies among others. The stakeholders in the banking sector should develop strategies in line with the study variable relationships to enhance the performance of mortgage loans in commercial banks in Uganda.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Mortgage financing improves the operation of the property market by increasing the number of housing and commercial units. According to Abdulrehman and Nyamute (2018), the performance of mortgage financing is a key factor in the sustainability of banks because it creates a long term source of revenue for those offering mortgage credit (Ngigi, Wamugo & Koori, 2021). Mortgage financing brings revenues through facility/negotiation fees and penalties for defaulting or paying before the life of the facility comes to the end (Ng'ang'a, 2018). Makori and Memba (2015) revealed that mortgage loans performance is affected by a number of factors which include inadequate publicity, risk, perceptions, incomes, beliefs and cultures among others. However, amidst the challenges, Melnyk, Carrillat and Melnyk (2022) contend that social norms and customer attitudes aid mortgage loans performance. On the other hand, Mildawati (2022) identified customer awareness and perceived mortgage risk as influencers of mortgage loans performance. According to Wang (2019), banking activities are knit together by a wide variety of norms, rules, moral obligations and other habits that together shape the performance of mortgage financing. Wang (2019) insists that financial institutions offering mortgage loans need to draw attention to customer perceptions regarding mortgage risks as these undermine mortgage financing. The risk for banks is imprudent customer behaviour while the risk for customers is inability to repay resulting in loss of collateral (Kim & Ziobrowski, 2016).

The magnitude of these risks depends on the existing social norms and attitudes. Therefore, clear and understandable loan procedures and risk mitigation enhance mortgage loans performance. Melnyk, van Herpen, Jak and van Trijp (2019) uphold the importance of social norms and

attitudes to maximize the performance of mortgage loans, while Rani and Aravind (2021) underpin the importance of customer awareness and perceived mortgage risk mitigation so as to promote the performance of mortgage financing. Therefore, these should be the focus of banks so as to capitalize on new opportunities that promote the success of mortgage loans. In this study, title theory and lien theory were used to underpin the study (Buckley & Kalarickal, 2004). Globally, the mortgage sector has faced numerous challenges. This is also the case in Sub-Sahara African countries such as Uganda where the housing sector faces daunting problems. World Bank (2021) contends that this is partly attributed to poorly developed housing institutions, markets and stocks which are in poor condition, a huge backlog of housing need and weak policy responses.

Uganda's requirements for decent housing is estimated at a growth rate of 200,000 units annually unmatched by supply. In line, Uganda Country Profile (2021) showed that Uganda has a deficit of 2.4 million housing units against an underdeveloped mortgage sector. The 2021 World Bank report blamed this on unaffordability, inaccessibility and unpopularity. Much as there has been a remarkable increase in demand for real estate investment, mortgage uptake is still low. The size of the mortgage portfolio remains low with only 15 commercial banks holding more than 70% in their portfolio, a total mortgage value of UGX 1.65 trillion (Bank of Uganda, 2021). This is far below expectation of bridging the housing gap of 2.4 million units. Uganda Bureau of Statistics (2020) revealed that much as mortgage financing is a vital line of business for the banking sector, it also contributes significantly to the economy.

According to Wang (2019), favorable social norms and attitudes, customer awareness and risk management are essential elements for efficient mortgage financing. The 2021 Ministry of Works, Housing and Communication (MOWHC) report showed that there was a backlog of 550,000 houses in Kampala alone and this was projected to grow in multiple folds. In line, Kayiira (2019)

showed that the value of the housing finance book for the major players was below the value of total assets indicating that the housing finance market plays a very small role in the overall banking sector. For example, out of the 28 commercial banks in the banking sector, only 15 banks offer mortgage products to the public. According to Uganda Demographic and Health Survey (UDHS) Report (2018), the housing problem cannot be solved starting at the bottom because the poor are still overshadowed. Habitat for Humanity (2021) showed that lack of affordability of mortgage financing was partly blamed on low levels of income and the high and volatile level of inflation and relatively high margins charged by banks. Uganda Bureau of Statistics (2018) showed that deficiencies in a lender's ability to capture or understand risks led to lenders charging high risk premiums.

According to Financial Sector Deepening Uganda (2021), uptake of mortgage products was affected by income levels, interest rates, borrowing costs, financial education, availability of security as well as the age and personal financial commitments. The report further revealed that inadequate financial education on the potential benefits of mortgage financing by banks undermined mortgage uptake. Centre for Affordable Housing Finance (2020) pointed out that diverse cultural settings, unfavourable attitudes, negative beliefs and perceived risk affected the performance of mortgage financing. Culturally, Ugandans prefer living in communities and still shun living in estates, prefer to live around their ancestral burial grounds to carry out regular cultural ceremonies (Financial Sector Deepening (FSD) Uganda, 2021). According to Centre for Affordable Housing Finance (2020), mortgage lending by formal financial institutions only benefit the high-income households and individuals. This leads to several problems including over concentration in poor houses in small areas. From the above, it is likely that unfavorable social

norms, inadequate customer awareness, negative attitudes and perceived mortgage risk could be attributed to performance challenges facing mortgage financing in commercial banks.

1.2 Statement of the problem

Commercial banks have made efforts to improve mortgage financing services in the country. In a bid to support mortgage financing education, uptake and service improvement, banks offer a range of mortgage products (UBOS, 2018). However, beyond the growing number of housing units, significant challenges still remain. The Bank of Uganda report (2021) showed that mortgage lending by commercial banks is low, standing at a mere 7.5% of the total credit. Although it is estimated to contribute 8% of Uganda's overall GDP, UBOS (2019) showed that budget allocation for the sector stood at less than 0.3% in 2020/21 undermining efforts to meet housing needs. The 2018 Demographic and Health Survey showed that half of Uganda's population was living in slums. In addition, growth in the mortgage finance market has either stagnated at 4% or less, the ratio of non-performing loans rose to 5.3% in 2020 from 3% in 2019 whereas, average annual credit to the mortgage sector declined to 12.7% from 13.2% in 2020. The aggregate commercial banks' loan-to-value ratio on residential mortgages was 51.7% well below the prudential limit. According to UBOS (2021), from the start of the pandemic lockdown, mortgage loans grew by 2.32% which was lower than 9.98% growth in the previous period. The report further identified supply-side bottlenecks, unaffordable credit, insecure land tenure as well as insufficient political will as some of the issues that affect the sector. Therefore, the study examined the relationships between social norms, product awareness, customer attitudes, perceived mortgage risk and mortgage loans performance in selected commercial banks in Uganda.

1.3 Purpose of the Study

The study sought to investigate the relationship between social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans in selected commercial banks.

1.4 Objectives of Study

i) To examine the relationship between social norms and performance of mortgage loans.

ii) To establish the relationship between product awareness and performance of mortgage loans.

iii) To examine the relationship between customer attitudes and performance of mortgage loans.

iv) To establish the relationship between perceived mortgage risk and performance of mortgage loans.

v) To examine the combined effect of social norms, product awareness, customer attitudes and perceived mortgage on performance of mortgage loans.

1.5 Research Questions

i) What is the relationship between social norms and performance of mortgage loans?

ii) What is the relationship between product awareness and performance of mortgage loans?

iii) What is the relationship between customer attitudes and performance of mortgage loans?

iv) What is the relationship between perceived mortgage risk and performance of mortgage loans?

v) What is the combined effect of social norms, product awareness, customer attitudes and perceived mortgage on performance of mortgage loans?

1.6 Scope of the Study

1.6.1 Subject Scope

The study was confined to the relationship between social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans in selected commercial banks. In this study, social norms, product awareness, customer attitudes and perceived mortgage risk were the independent variables whereas, mortgage loans performance was the dependent variable.

1.6.2 Geographical Scope

The study focused on the headquarters of the selected commercial banks in Kampala district, Central Division. The selected commercial banks included; Housing Finance Bank, Stanbic Bank, DFCU Bank, Absa formerly Barclays Bank, Standard Chartered Bank, Centenary bank, Post Bank, Bank of Baroda, Equity Bank and KCB Bank. The study comprised of the clients and the staff in the mortgage departments of the selected banks.

1.7 Significance of the Study

i) The study identified problems faced in mortgage financing and made recommendations on how the banks' mortgage products could best be utilized by the public. The study proposed ways of how to effectively and efficiently manage and control mortgage loans.

ii) The study was also expected to offer vital information to the financial sector stakeholders such as the Bank of Uganda, the Ministry of Finance, commercial banks, other financial institutions and Parliament for use in the formulation of guidelines and regulations, for proper monitoring of mortgage products, and setting of governing laws.

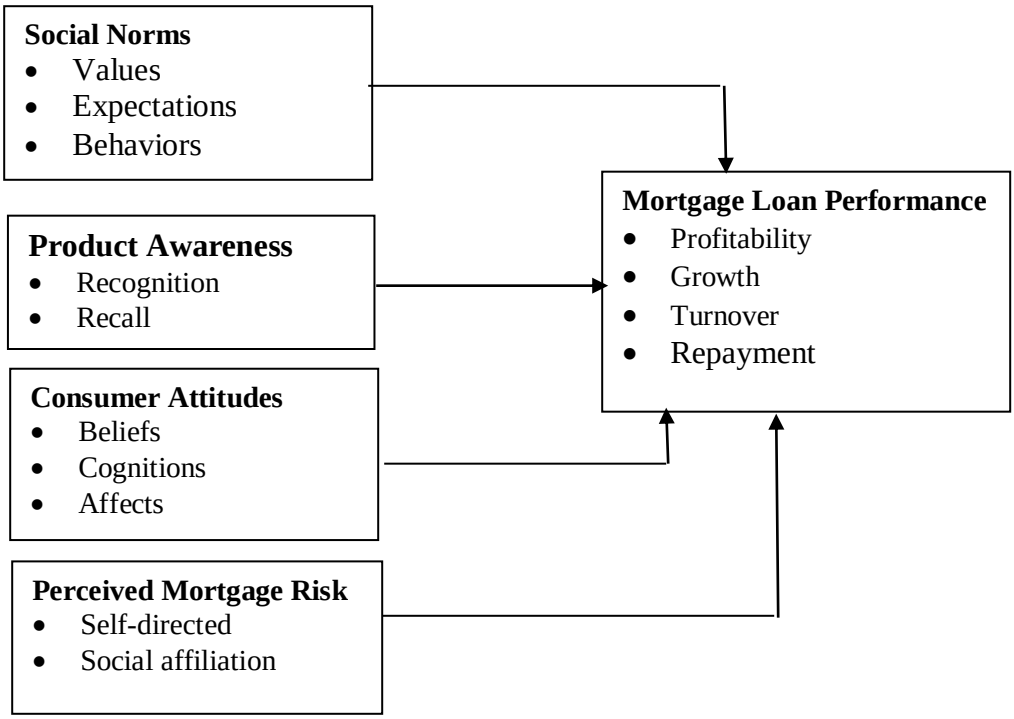
iii) The findings would also add to the existing knowledge on the association between social norms, product awareness, customer attitudes, perceived mortgage risk, and performance

of mortgage loans in financial institutions.

1.8 Conceptual Framework

The framework shows the different determinants of mortgage loans performance. The model shown in the figure below examines the relationship between social norms, product awareness, customer attitudes, perceived mortgage risk, and performance of mortgage loans. The independent variables are social norms, product awareness, customer attitudes and perceived mortgage risk with mortgage loan performance as the dependent variable.

Figure 1.1: Conceptual Framework



Sourced: From already available literature of Cialdin, Robert & Trost, 1987; Hauser, 1993; Chaudhuri & Holbrook, 2001; Black, Robinson, Schlottmann & Schweitzer, 2003; Devlin, 2002

The conceptual framework is explained by social norms, product awareness, consumer attitudes, perceived mortgage risk and mortgage loan performance. The dependent variable was mortgage loan performance, the independent variables were social norms, product awareness, consumer

attitudes and perceived mortgage risk. Social norms were measured according to values, expectations and behaviours; product awareness was measured according to recognition and recall; customer attitudes were measured according to beliefs, cognitions and affects; perceived mortgage risk was conceptualized according to self-directed and social affiliation; whereas, mortgage loan performance was measured according to profitability, growth, turnover and repayment. Mortgage loan performance was the variable of interest whose variance was to be explained by social norms, product awareness, consumer attitudes and perceived mortgage risk.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Framework

The theoretical framework aims at giving the meaning of a word in terms of theories of a specific discipline. It contributed to a better understanding of the concept and helped in conceptualizing mortgage loans performance. The study was underpinned by the Title Theory and Lien Theory of Mortgages.

2.1.1 Title Theory and Lien Theory of Mortgages

Some banks retain and treat the mortgage as a title theory. Since the mortgagee is said to hold a title interest, it has the right to possession under this theory. Some banks apply a lien theory. This theory only gives the mortgagee a lien interest in the property. In a title theory bank, the mortgagor is treated as having transferred title to the bank (mortgagee), subject to the mortgagee's duty to recovery if payment is not made. The title is said to remain in the names of the bank until the mortgage has been satisfied and foreclosed by the borrower (mortgagor). Although the mortgagor has the right of possession to the property, there is generally an express agreement giving the right of possession to the mortgagee. The mortgagee is said to hold the title for security purposes only. The mortgagee is given the right of possession (Buckley & Kalarickal, 2004). In a lien theory bank, the bank retains legal and equitable title to the property, but conveys an interest that the borrower can only foreclose upon satisfaction of the obligation of the mortgagee.

This is equivalent to a future interest in the property which allows the bank to use the process of foreclosure. The interest of the bank is a security interest or mortgage, which forms a lien on the property. In this theory the right to possession arises upon a default. The mortgagee has a right to

sue the mortgagor for any interference with his right of possession (Buckley & Kalarickal, 2004). For practical applications there is usually very little difference between a lien theory and a title theory. The principle difference arising in the title theory bank is that the mortgagee is given the right to possession before the foreclosure is complete. The language of the mortgage provides for possession rights being in the mortgagee up to the time of the foreclosure. In summary, by focusing on the task or bank, lien theory and a title theory deal with opportunism directly through the mortgage financing mechanism. Based on these theoretical underpinnings, the proposed model of the study measured the effects of social norms, customer awareness, customer attitudes, perceived mortgage risk on performance of mortgage loans.

2.2 Social Norms

The rules that a group uses for appropriate and inappropriate values, beliefs, attitudes and behaviours may either be explicit or implicit where failure to stick to the rules can result in severe punishments, the most feared of which is exclusion from the group (Wang, 2019). A common rule is that some norms must frequently be displayed; neutrality is seldom an option. Social norms are categorized into injunctive norms, descriptive norms, explicit norms, implicit norms, subjective norms and personal norms (Melnyk, Carrillat & Melnyk, 2022). The social norms indicate the established and approved ways of doing things, of dress, of speech and of appearance which vary and evolve not only through time but also vary from one age group to another and between social classes and social groups (Melnyk, et. al.,2019). Deference to the social norms maintains one's acceptance and popularity within a particular group; ignoring the social norms risks one becoming unacceptable, unpopular or even an outcast from a group (Vishal & Akhilesh, 2016). Social norms tend to be tacitly established and maintained through body language and non-verbal communication between people in their normal social discourse (Vishal & Akhilesh, 2016). In the

case of Uganda, efforts have been made by commercial banks to manage social norms in the mortgage sector in ways such as values, expectations and behaviours so as to cause public service delivery improvement. However, given that delivery of mortgage financing services in Uganda is still in infancy stage, there are still lapses in mortgage financing which have led to the undermining of the mortgage financing in the financial sector.

2.3 Product Awareness

Awareness is far too often thought of as part of some sort of bipolar process, where consumers are either aware or are not, asserts Jimad (2020). He further posits that it is assumed that after repeated exposure to some stimulus, such as advertising, at some point consumers move into a state of awareness from the state of total ignorance they were in previously. Unfortunately, Ayaa (2021) is of the view that any thought on the matter at all will soon lead to the conclusion that awareness is, in fact, a continuum. According to Chaouch (2017), in terms of a new product, awareness of that product may build from a dim recognition of some of the narrative elements in its commercial, through to brand name recognition, through to a detailed understanding of what the product is and how it may be personally beneficial. Given that awareness is a continuum, one needs to know how it is measured (Sibylinson, 2018). One must understand that whatever they are measuring they are, by nature of their measuring tool, artificially dividing the continuous world into those aware and those not aware. Two measurements of awareness which have traditionally been obtained in studies include recognition and recall. In the case of Uganda's banking sector which is tasked with delivery of mortgage financing services, there is some level of focus on product awareness in regard to recognition and recall. However, there have also been major deterrents to product awareness in mortgage sector. Given the current situation in Uganda's

mortgage sector, it is hoped that the situation will change once a study is conducted to provide information on how product awareness can improve the delivery of mortgage financing services.

2.4 Customer Attitudes

Consumer attitude studies the tendency to respond consistently to something liked or disliked to the attention given to an object. Consumer attitudes are a reflection of the overall evaluation of the association of a brand, product, object, or activity (Vishal & Akhilesh, 2016). Vishal and Akhilesh (2016) suggested that attitude toward object model is very suitable for ex-pressing attitudes toward a specific product or service category or brand. Based on this model, consumer attitudes toward a specific product or brand of a product is a convincing presence and evaluation of specific functions beliefs and/or attributes. According to Amin, Rahman, Razak and Rizal (2017), there are several indicators that can be used to measure consumer attitudes.

Customer attitudes are a composite of a person's beliefs, feelings, and behavioural intentions toward your business. These attitudes are often formed based on a blend of factors. Particularly influential are an individual’s past experiences that play a considerable role in developing and solidifying certain attitudes. Consumers form favorable and unfavorable attitudes towards product and service offerings based on these self-experiences that emerge from trying out a product or service offerings (Mindra, Bananuka, Kaawaase, Namaganda & Teko, 2022). And those attitudes can evolve as a customer has additional experiences with a product or service, as well as additional interactions with your company after a purchase is made. Of course, attitudes that are favorable to your company can be a considerable asset. Conversely, unfavorable attitudes present a risk, both with the individual customer and the potential that others share those attitudes -- and may not be hesitant to broadcast their views (Flores & Price, 2018).

Unfortunately, changing people's attitudes can be a challenge. To do so, often requires a fuller understanding of existing attitudes, perceptions and behaviours so you can take steps to take actions that might initiate a potential attitude shift based on new information or experiences. In the case of Uganda, efforts have been made by commercial banks to manage customer attitudes in ways such as beliefs, thoughts and feelings so as to cause effective delivery of mortgage financing services. Given the challenges faced in the delivery of mortgage financing services in Uganda's banking sector, customer attitudes have been undermined towards mortgage financing.

2.5 Perceived Mortgage Risk

Risk is the possibility of a loss or the uncertainty associated with future events. According to van Ooijen and van Rooij (2016), mortgage risk encompasses all the risks from the mortgage origination stage to when the mortgage is fully settled by the mortgagor. Commercial banks offer mortgage loans to their clients to purchase residential homes. There is a risk that the home owners may default on mortgage loan repayment or in extreme cases be unable to pay leading to nonperforming mortgage loans. When mortgage risk is mitigated, banks perform well and their share prices go up. According to Mwaura and Jagongo (2022), credit risk is the single largest factor affecting the soundness of financial institutions and the financial system as a whole. This is because lending is the principal business for banks. Mortgage lending is an important component in the performance of listed commercial banks. Business lending in many cases anchors on residential mortgages that are pledged as collateral security by directors.

According to van Ooijen and van Rooij (2016), there are various reasons that influence mortgage prepayments including changes in employment profiles, changes in household income and foreclosures. Most banks charge a fee premium to discourage prepayments. Mwaura and Jagongo (2022) noted that lenders in developing economies are reluctant to make mortgage loans because

of the risks in mortgage lending (credit, liquidity, interest and price). In mortgage financing, there are different customers from different backgrounds, and this exposes a lot of risk to both the borrower and the lender (Sadhwani, Giesecke & Sirignano, 2021). van Ooijen and van Rooij (2016) noted that the major risks include credit risk to the lender, that the borrower will default on loan obligations and investment risk on the owner-occupier that the value of the home will fall, and with it the value of the owner-occupier's equity will also fall. Furthermore, there is interest-rate risk to either party to a loan that the interest rate will move against them, and finally prepayment risk to the bank that the borrower will repay a loan (particularly a fixed-rate loan) before the end of its term (Mwaura & Jagongo, 2022).

In spite of these risks the advent of institutional investors has given rise to skills necessary to manage the complex risks associated with housing finance. The creation of mortgage related securities provides the multiple instruments by which housing lenders can access these important sources of funds and better manage and allocate part of their risks (Sadhwani, et. al., 2021). In Uganda, measures to strengthen the mortgage sector have been put in place such as the limit placed on institutions not to lend more than 25% of their total deposit liabilities, mortgage finance companies are allowed to open current accounts for their customers to increase their term deposits, and lenders are allowed to issue bonds to raise funds for mortgage lending. These measures were put in place to mitigate risks, increase the level of mortgage lending and facilitate growth of the mortgage portfolio.

2.6 Mortgage Loan Performance

A mortgage loan is a loan secured by real property through the use of a mortgage note which evidences the existence of the loan and the encumbrance of that realty through the granting of a mortgage which secures the loan according to Olawumi, Adewusi, and Oyetunji (2019). A home

buyer or builder can obtain financing (a loan) either to purchase or secure against the property from a financial institution, such as a bank, either directly or indirectly through intermediaries. Features of mortgage loans such as the size of the loan, maturity of the loan, interest rate, method of paying off the loan, and other characteristics can vary considerably. According to Serem, Namusonge and Okwaro (2017), the mortgage market has two separate but connected parts, simply referred to as the primary market and the secondary market. Mirembe, Matovu, Nkote and Nabirye (2016) posit that the initial phase of the loan, where consumers and mortgage suppliers transact, discuss the consumer's loan preferences, and eventually originate the mortgage, is recognized as the primary market.

After new loans are originated, the primary market supplies the secondary market with the loans, which are in turn traded by investors (Nyanyuki & Nagib, 2016). During the origination process, the consumer and originator agree on the mortgage product and program that best meets the consumer's needs. Mortgage products can be complex, vary in many dimensions, and are supplied by different types of mortgage originators. In general, Nkote and Lwanga (2013). assert that mortgage products are usually a variation of one or two types: fixed or adjustable rate mortgages. According to Caspari (2018), the choice of a mortgage product depends on whether the consumer meets the required guidelines, the consumers' preferences, and expectation of future interest rate movements. The fixed rate program has a preset interest rate and offers the consumer a constant monthly payment for the life of the loan.

In an adjustable rate mortgage, the interest rate is generally fixed for a period of time, after which it will periodically (for example, annually or monthly) adjust up or down to some market index (Nkote & Lwanga, 2013). Adjustable rates transfer part of the interest rate risk from the lender to the borrower, and thus are widely used where fixed rate funding is difficult to obtain or

prohibitively expensive. According to Mirembe, Nkote and Matovu (2015), mortgage lending improves the operation of the property market by increasing the number of housing and commercial units. It also affects the economy directly by facilitating transactions and by improving the environment in which transactions take place. Serem, et. al., (2017) asserts that the mortgage finance sector creates employment directly to the construction industry and indirectly to other sectors. In industrialized countries, mortgage financing is a major driver for deepening of capital markets which then serve as sources for long term financing. As the mortgage markets deepen, the supply of housing and urban infrastructure also increases.

According to Mirembe, Matovu, Nkote and Nabirye (2016) availability of residential mortgages has favorable impact on poverty alleviation, quality of housing, infrastructure, and urbanization. Mirembe, et. al., (2015) noted a more formalized housing market that is subject to real estate taxes and utility charges, can serve as an important source of revenue for financially strapped local governments. In Uganda, most mortgages executed are in form of money lent out by financial institutions mostly banks to individuals who are willing to have their assets pledged to the bank for a loan (Caspari, 2018). In circumstances of this nature, if the mortgager (bank) is willing to lend money to an individual (borrower), it will conduct a search on the land register to confirm if the land exists and if satisfied, a legal mortgage shall be created by drafting a mortgage deed or agreement and registering the same as an encumbrance on the land. In circumstances where the collateral security intended to be pledged e.g. customary land (kibanja), a sale agreement or will or consent from the spouse, if an individual is married, will be sought to ascertain ownership and for purposes of creating an equitable mortgage on the land.

The mortgage deed when signed imposes an obligation between the parties to respect the terms and conditions agreed therein (Olawumi, Adewusi, & Oyetunji, 2019). The fundamental term in a

mortgage deed is that a person borrowing has an obligation to repay the money given in form of loan repayments with interest as stipulated within the agreed time frame. If the borrower fails to comply with this clause, the mortgager has a right to exercise a right to sell, foreclose or commence a suit against the borrower in the courts of law so as to recover the money lent. A mortgage is vital in a sense that, a person may desire to have a new house but the salary cannot enable him or her get the dream home (Uganda Bureau of Statistics, 2016). This is how a mortgage comes in handy, especially if one has an adequate security.

The mortgage market, as it presently exists, encompasses numerous institutions and individuals who contribute to the provision of the financial product. The first step in this chain of activities begins with a consumer's decision to acquire a mortgage. A consumer, or borrower, in search of a mortgage is either in the process of purchasing a new house or refinancing an existing mortgage. Purchase consumers demand funds to finance the acquisition of a new home. Alternatively, the motive to refinance an existing loan is more complex and may be due to the consumer's desire to obtain a lower interest rate and/or adjust the term of the loan (rate or term refinance).

2.7 Social Norms and Performance of Mortgage Loans

Social norms theory states that much of people's behaviour is influenced by their perception of how other members of their social group behave. According to social norms theory, people tend to misperceive, i.e., exaggerate, the negative health behaviour of their peers. If people think harmful behaviour is typical, they are more likely to engage in that type of behaviour. All too often, perceptions are incorrect (Melnyk, Carrillat & Melnyk, 2022). If unhealthy behaviour is perceived to be the standard in a social group, the social urge to conform will negatively affect overall behaviour of group members. Alternatively, by educating a group about healthy behaviour that is in fact the usual practice among their peers, behaviour can be affected in a positive manner.

Social norms are customary rules of behaviour that coordinate our interactions with others. Once a particular way of doing things becomes established as a rule, it continues in force because we prefer to conform to the rule given the expectation that others are going to conform (Melnyk, et. al.,2019). Vishal and Akhilesh (2016) were the first to call attention to the central role that norms play in the construction of social order. Norms define property rights, that is, who is entitled to what. They determine what commodities are accepted as money. They shape our sense of obligation to family and community. They determine the meanings we attach to words. Indeed, it is hard to think of a form of interaction that is not governed to some degree by social norms.

Commercial banks are allowed to lend to developers, who acquire big tracts of land, build houses and then sell completed houses to individual buyers. Loans are provided to developers for a period of two to three years. Mortgage institutions are permitted to provide long-term loans to individuals to purchase units from developers, or in a few cases to build their own complete houses. In this research, we propose to study the effect of social norms on the performance of mortgage loans. More specifically, we focus on the social norms in the banking sector with emphasis on mortgage financing. However, it should also be noted that the reviewed literature draws a lot of attention on social norms and performance of mortgage loans in the banking sector of developed economies leaving scanty literature on studies in developing economies such as Uganda. This provides a gap in literature which this study intends to bridge in order to provide information on the relationship between social norms and performance of mortgage loans in the mortgage sector in Uganda.

2.8 Product Awareness and Performance of Mortgage Loans

Despite suggestions that product awareness impacts on product attitudes and purchase intentions, the evidence is principally subjective or confined to particular instances in particular product categories (Jimad, 2020). The concept of course, is that of recognition, the other that of recall.

Whereas recall requires two steps in memory, recognition is only a single step thus when individuals are required to recall, they must describe an absent stimulus. However, the results for each against a given product will co-vary despite recognition's tendency to allow false positives (Chaouch, 2017). A natural implication of this, in terms of consumer purchase behaviour, is that for low involvement products where the goods themselves are present, recognition will be a determining factor in the purchase decisions. For high involvement products/services, where the decision is often made at home and in the absence of the goods, a recall level of awareness will become a determining factor in the purchase decision (Mildawati, 2022).

It has been demonstrated by Sibylinson (2018) that recall correlates with attitudes concepts and is a significant predictor of attitude itself. Similarly, it has been found that recall is a significant predictor of attitude in the absence of range restrictions, such as giving respondents learning tasks which occur outside their environments (Wang, 2019). These facts would seem to indicate that awareness of a product and any possible effect it might have on product and purchase attitudes will cause acceptance of the product. Jimad (2020) states that consumers' increasing interest in obtaining information related to bank products are encouraging. Sibylinson (2018) argued that consumers' inclination to borrow depends upon the prior knowledge about the product. In the same vein, Mildawati (2022) holds that, especially in highly competitive markets, awareness can strongly influence a customer while buying a product.

Ayaa (2021) mentions that even though consumers familiarize and are willing to purchase a product, awareness is still an important factor to influence purchase decision. Therefore, for a borrower to take on credit, he/she must first be made aware of it. Ayaa (2021) is of the view that a product with a high level of brand awareness will receive higher consumer preferences because it has higher market share and quality evaluation (Mildawati, 2022). The willingness of the

customers to borrow consists of problem identification, information search, evaluating the alternatives, entering into contract and, post-loan repayment.

As a result, today, retail bank customers require information, comprehensive advice, honesty, integrity, consistency, responsiveness, commitment and value for money. They are mainly interested in the way the financial service is delivered (functional quality dimension) and particularly in the bank's opening hours, provision of information, and ability to focus on customers' needs (Wang, 2019). Great reliance is placed on experience qualities rather than tangible cues. Even consumers, who may be customers to several banks in order to get better rates or reduce their risk, ask for improved communication about products and conditions, quality and professionalism in bank staff and offerings (Sibylinson, 2018). Great service is needed to ensure differentiation from competitors, to build solid customer relationships and compete on value (Mildawati, 2022). Literature on product awareness and performance of mortgage loans showed scanty studies in the mortgage sector of developing countries, causing a literature gap especially on the sector. This literature deficiency was bridged by conducting a study on the effect of product awareness on performance of mortgage loans in selected commercial banks offering mortgage products in the banking sector in Uganda.

2.9 Customer Attitudes and Performance of Mortgage Loans

Attitudes are a complex system comprising of the persons' beliefs about the object, their feelings towards the object, and action tendencies with respect to the object. As such they include cognitive, affective (emotional) and conative aspects, and represent the way people react to a stimulus. Consumers mentally process objective information about the product and form an impression of the benefits it provides (Hoque, Rahman, Said, Begum & Hossain, 2022). They express the preference or lack of preference for stores, brands and other marketing stimuli by

reflecting a favorable or unfavorable attitude, which might affect their purchasing intention (Flores & Price, 2018). Vishal and Akhilesh (2016) advocated that consumers' who regard familiarity and products with good brand image, will have higher brand attitudes and purchase intention. Mindra, et. al., (2022) thought that when the consumers' familiar degree to the products is higher, the better the confidence and attitude to the products are, and the purchase intention will be higher. Meanwhile, Shastry, Venkatesh and Anupama (2021) argue that attitude and behaviour are consistent in most situations and that attitude is a strong predictor of future behaviour.

According to Amin, Rahman, Razak and Rizal (2017), consumers consider the ethical behaviour of the firm as a relevant criterion in the borrowing process. Flores and Price (2018) also assert that consumers would still patronize firms that engaged in unethical practices, but only if their products were affordable. Shastry, et. al., (2021) on the other hand, suggest that information concerning ethical and unethical behaviours on the part of firms has an unbalanced influence on consumer attitudes. This means that firms' vices negatively impact consumers' attitudes more than virtues enhance them. According to Mogaji, Farinloye and Aririguzoh (2016), it might be expected that consumers avoid mortgage financing from financial institutions which engage in unethical behaviour, but they do not necessarily patronize institutions that engage in ethical practices.

Customers' positive attitudes play a significant role in any bank's success, and this attitude helps attract new customers for banking transactions. This is an important determinant of both idealism and relativism, shaping consumers' ethical beliefs and practices. The reviewed literature puts a lot of emphasis on customer attitudes in developed economies and focuses less on customer attitudes in the banking sector in developing countries. Similarly, there is much attention drawn by researchers to customer attitudes and mortgage loans performance in the banking sector but they

provide inadequate literature on the association between customer attitudes and mortgage loan performance in the banking sector in developing countries such as Uganda. This has left a literature gap which the study endeavoured to close by carrying out a study on the relationship between customer attitudes and mortgage loans performance in the banking sector in Uganda.

2.10 Perceived Mortgage Risk and Performance of Mortgage Loans

Credit risk **a**rises from non-performance by a borrower. It may arise from either an inability or an unwillingness to perform in the pre-committed contracted manner. van Ooijen and van Rooij (2016) are of the view that this can affect the lender holding the loan contract, as well as other lenders to the creditor. Therefore, the ability of the borrower to repay as well as the current value of the underlying collateral are of considerable interest to the financial institution. The real risk from credit is the deviation of portfolio performance from its expected value. Accordingly, credit risk is diversifiable, but difficult to eliminate completely. In addition, the characteristic nature of some portion of these losses remains a problem for creditors in spite of the beneficial effect of diversification on total uncertainty (Pereira, Ferreira & Chang, 2019). This is particularly true for banks that lend in local markets and the ones that take on highly illiquid assets.

In such cases, the credit risk is not easily transferred, and accurate estimates of loss are difficult to obtain (Mwaura & Jagongo, 2022). Residential mortgage lenders today make use of a variety of techniques to aid in their loan decisions. Most lenders make judgments simply based on “rules-of-thumb” derived from their personal experiences and their feel for the market. However, such ad hoc decisions can easily generate bias and create an unrecoverable loss. It is important that an objective analytical technique be applied to the analysis of the causes and prediction of residential mortgage default risk. Among previous studies, some mortgage loan defaults were believed to have a significant relationship with the characteristics of both mortgages and borrowers at the time

of loan origination. Housing loans are loans of a long-term nature provided for the construction of individual houses and business premises. The common practice is to provide housing loans to that section of the population that earns moderate to high incomes (van Ooijen & van Rooij, 2016). Provision of housing loans operates through specialized institutions (mortgage banks), and over a long-term. Mortgage institutions customarily provide housing finance to the middle and high-income segments of the population. This does not exclude, however, cases where these institutions offer long-term loans to lower income groups who can offer clear land titles and certifiable incomes.

This trend is outside the actual situation in developing countries including Uganda where the poor, low-and even middle-income majority of the population cannot afford a loan even for the least expensive, commercially built housing units. At least three major reasons can be singled out for the inability of the majority of the population in developing countries to get access to housing loans. These are absence of good collateral; informality and instability of income; and lack of information on borrowers (Mwaura & Jagongo, 2022). Credit risk is another risk that is linked to mortgage financing. This arises as a result of the high magnitude of the housing loans in comparison to the income of the borrower, and the less developed regulatory and legal frameworks for mortgage loans recovery (Pereira, et. al., 2019). The argument is that banks, in case of default, will be in a difficult position to easily convert mortgaged property into liquid funds without entering into a lengthy and costly legal procedure.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the description of how the study was conducted. It comprises of; the research design, target population, sampling design and size, data collection instruments, data analysis and interpretation tools and limitations of the study.

3.2 Research Design

The study adopted a cross sectional research design. A cross sectional design was considered appropriate in this research study because the researcher intended to investigate performance of mortgage loans at a given point in time. The survey was descriptive and analytical in nature.

3.3 Study Population

According to the Bank of Uganda sector report (2022), there are 28 commercial banks in Uganda's financial sector with all their headquarters in Kampala City's Central Division. The Bank of Uganda Report (2022) revealed that out of the 28 commercial banks, 15 commercial banks offer mortgage loans. These included Standard Chartered Bank, Housing Finance bank, Centenary Bank, ABSA Bank, Stanbic Bank, PostBank Uganda, KCB Bank, DFCU Bank, Equity Bank, Bank of Baroda, CBA Bank, Bank of Africa, ABC Bank, CAB Bank and NCBA Bank. For this study, the population of the study was 15 commercial banks offering mortgage loans.

3.4 Sample Size and Sampling Techniques

From the population of 15 commercial banks offering mortgage loans, a sample size 12 commercial banks were selected using Yamane's formula of sample size determination indicated below:

n=N/(1+N(e)2)

where;

n signifies the sample size

N signifies the population under study

e signifies the margin of error

n=15/[1+15(0.01)2]

= 15/(1+0.3)

= 15/1.3

=11.5 which is approximately 12 commercial banks

To select the 12 banks, simple random sampling (rotary method) was used. However, the criteria for the selected banks was based on the number of years for which they had been operating in the mortgage sector that is, 5 years or more. In this study, only 10 commercial banks passed this criterion and comprised the sample size of the study. These included the following; Standard Chartered Bank, Housing Finance Bank, Centenary Bank, ABSA Bank, Stanbic Bank, PostBank Uganda, KCB Bank, DFCU Bank, Equity Bank and Bank of Baroda. For each bank, the head of credit, head of risk, head legal, 5 credit team leaders, 5 mortgage officers, 3 branch managers and 36 mortgage customers who had serviced their loans, had loans and those applying for loans were selected as the unit of inquiry. The unit of analysis was a bank while the unit of inquiry comprised staff and customers giving a total of 520 respondents. Purposive sampling was used to select head of risk, head legal, head credit, credit team leaders, mortgage officers and branch managers, whereas, convenience sampling was used to select the customers.

3.5 Sources of Data and Data Collection Instrument

Primary data was the main source which was collected from the selected commercial banks using the questionnaire survey method. The data was provided by the selected respondents from the different commercial banks. These respondents were contacted at the commercial banks. Data from the field was obtained through the use of self-administered questionnaires following systematic and established academic procedures as outlined under ethical considerations below. Responses to the questions were anchored on a 5 point Likert scale ranging from; (1) SD-Strongly Disagree, (2) D- Disagree, (3) Not Sure, (4) A-Agree and (5) SA-Strongly Agree.

3.6 Measurements of the Research Variables

Study Variables	Dimensions	Scale	Author(s)
Social Norms	• Values • Expectations • Behaviours	5 point scale	Cialdin, Robert & Trost (1987)
Product Awareness	• Recognition • Recall	5 point scale	Hauser (1993)
Customer Attitudes	• Beliefs • Cognitions • Affects	5 point scale	Chaudhuri and Holbrook (2001)
Perceived Mortgage Risk	• Self-directed • Social affiliation	5 point scale	Black, Robinson, Schlottmann and Schweitzer (2003)
Performance of Mortgage loans	• Profitability • Growth • Turnover • Repayment	5 point scale	Devlin (2002)

Source: Literature Review

Key: 5 point Likert scale ranging from (1) strongly disagree, 2-disgaree, 3-not sure, 4-agree and 5-strongly agree.

3.7 Validity and Reliability of Research Instruments

Validity was ensured by face, content and convergent validity tests. Face validity was used when structuring the questionnaire in line with the study objectives by providing for different sections in the tool. These included the sample characteristics section and different sections for the items of

each study variable. Here, the expert views were obtained by talking to experts both academicians and practitioners in the field of marketing and banking. These were required to comment on the relevance of the questions/items in the instrument. This gave participants greater confidence in the measurement procedure and the results. Content validity measured the extent to which the content of the instrument corresponded with the content of the theoretical frame work of the study (Amin, 2005). Content validity was assessed by using a questionnaire which measured the same concepts whereas, convergent validity is a measure of the degree to which scales/items measure the same variable and is measured using the AVE which should be above 0.500 for us to say the items met the convergent validity threshold. If the measurements are consistent with the theoretical expectation, then the data had construct validity. Validity of the instrument was also obtained by using the Content Validity Index (CVI). In addition, reliability of the scales was carried out by determining the Cronbach's alpha coefficient and the composite reliability to check for the internal consistency of the scales. In order to meet the acceptable standards for research, all alpha reliabilities (α) for all scales are expected to be above 0.7 for us to say that the scale was reliable (Nunnally, 1987).

Table 3.1: Reliability and Validity Tests

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Social norms	.841	.825	.612
Product awareness	.839	.878	.508
Customer attitudes	.883	.909	.589
Perceived mortgage risk	.784	.853	.537
Performance of mortgage loans	.733	.833	.555

Source: Field data

The table above displays the reliability indices/coefficients for all constructs used in the study. All alpha reliabilities (α) for all scales were above 0.7, ranging from 0.733 to 0.883 therefore meeting acceptance standards for research (Nunnally, 1978).

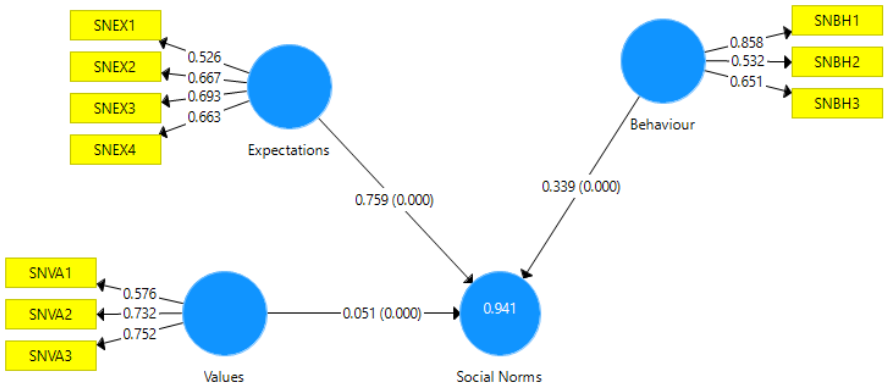
3.8 Confirmatory Factor Analysis (CFA)

CFA was performed for all study variables involved in the study before modelling their inter-relationship in a structural model (SEM). The purpose of conducting the CFA was to eliminate items that did not fit the measurement model due to low factor loading ensuring that items deletion did not exceed 20% of total items in a model. For each measurement model, a CFA was run.

3.8.1 Measurement Models for Social Norms

From the figure 3.1 below, the measurement model for social norms shows that the variable is indeed defined by three dimensions, that is, expectations, values and behaviours.

Figure 3.1: Measurement Models for Social Norms



The results for the measurement model, show that the expectations explain the greatest variance of the social norms ($\beta = .759$, $p<.05$). Further, this dimension has the greatest number of items that describe it (4 items). It was noted that behavior and values are both accounting for a significant variance of the global variable and each has 3 items. The results showed that expectations, values and behavior explained 94.1% of social norms. The results were further presented using the table indicated below

Table 3.2: Measurement Model Estimates

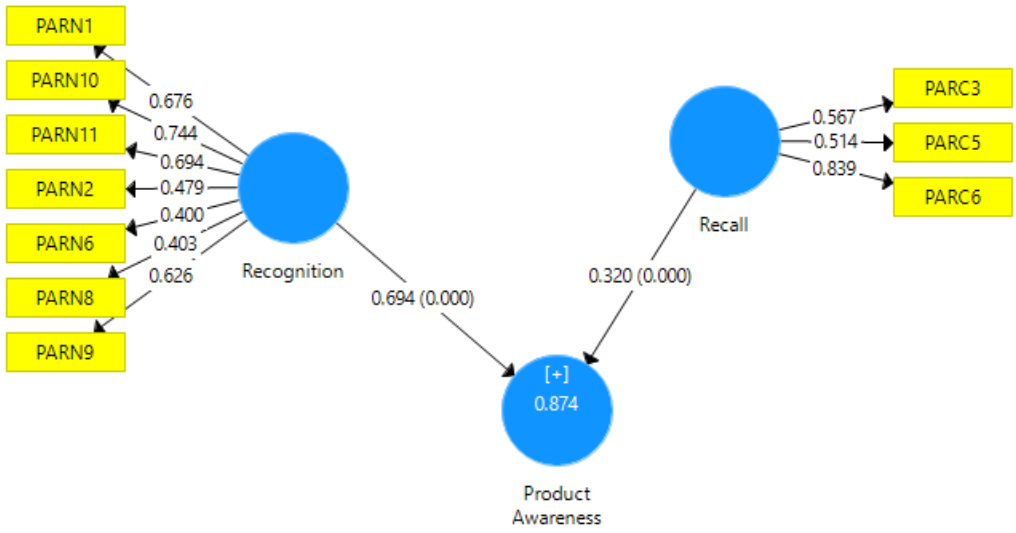
	β	Std. Error	T Statistics	Sig.
Behaviour ⟶ Social Norms	.339	.016	2.641	.000
Expectations ⟶ Social Norms	.759	.013	59.233	.000
Values ⟶ Social Norms	.051	.014	3.611	.000

Source: Field data

3.8.2 Measurement Model for Product Awareness

The measurement model for product awareness revealed that the variable is certainly described by two dimensions including recall and recognition.

Figure 3.2: Measurement Models for Product Awareness



The results for the measurement model, show that recognition explains the greatest variance of the product awareness (β = .694, p<.05). Additionally, this dimension has the greatest number of items that describe it (7 items). It was evident that recall is accounting for a significant variance of the global variable and has 3 items. The results showed that recognition and recall explained product awareness up to the tune of 87.4%. The results were further presented using the table indicated below

Table 3.3: Measurement Model Estimates

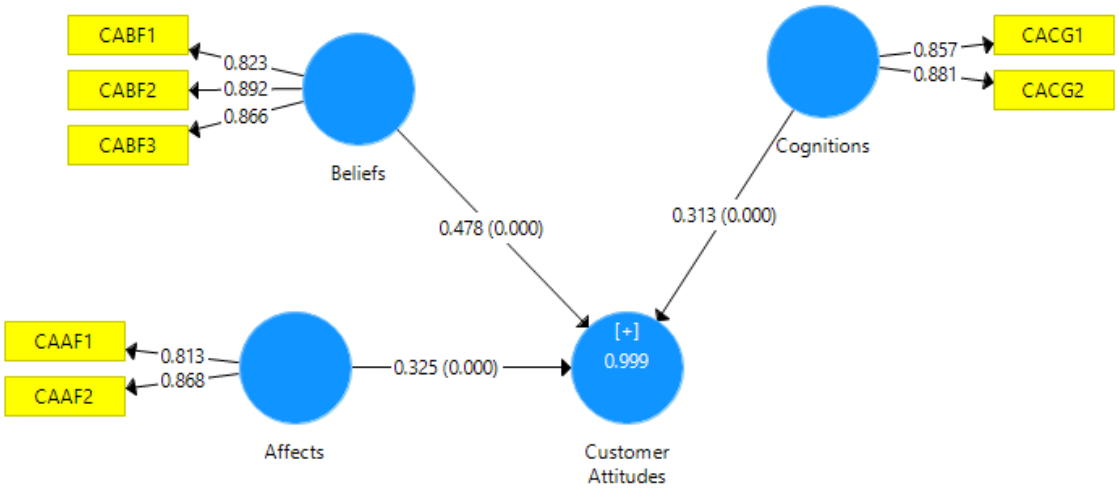
	β	Std. Error	T Statistics	Sig.
Recall ➡ Product Awareness	.320	.022	14.300	.000
Recognition ➡ Product Awareness	.694	.018	38.371	.000

Source: Field data

3.8.3 Measurement Model for Consumer Attitudes

The measurement model for consumer attitudes revealed that the variable is definitely explained by three dimensions including beliefs, cognitions and affects.

Figure 3.3: Measurement Models for Consumer Attitudes



The results for the measurement model, show that the beliefs explain the greatest variance of the consumer attitudes (β = .478, p<.05). Further, this dimension has the greatest number of items that describe it (3 items). It was evident that cognitions and affects are both accounting for a significant variance of the global variable and each has 2 items. The results showed that beliefs, cognitions and affects explained customer attitude up to the tune of 99.9%. The results were further presented using the table indicated below.

Table 3.4: Measurement Model Estimates

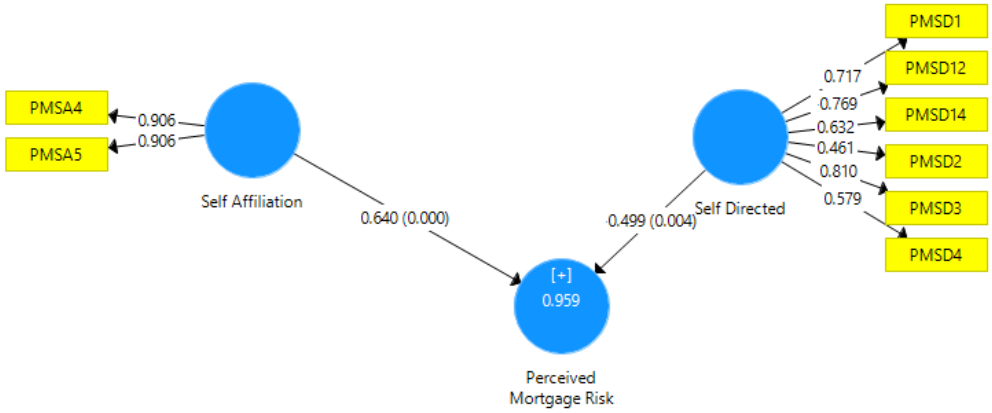
	β	Std. Error	T Statistics	Sig.
Affects ➡ Customer Attitudes	.325	.006	51.23	.000
Beliefs ➡ Customer Attitudes	.478	.008	6.254	.000
Cognitions ➡ Customer Attitudes	.313	.007	45.458	.000

Source: Field data

3.8.4 Measurement Model for Perceived Mortgage Risk

The measurement model for perceived mortgage risk showed that the variable is indeed described by two dimensions including self-affiliation and self-directed.

Figure 3.4: Measurement Models for Perceived Mortgage Risk



The results for the measurement model, show that self-affiliation describes the greatest variance of the perceived mortgage risk (β = .640, p<.05). Likewise, this dimension has the fewest number of items that describe it (2 items). The results revealed that self-directed is accounting for a significant variance of the global variable and has 6 items. The results showed that self-affiliation and self-direction explained 95.9% of perceived mortgage risk. The results were further presented using the table indicated below

Table 3.5: Measurement Model Estimates

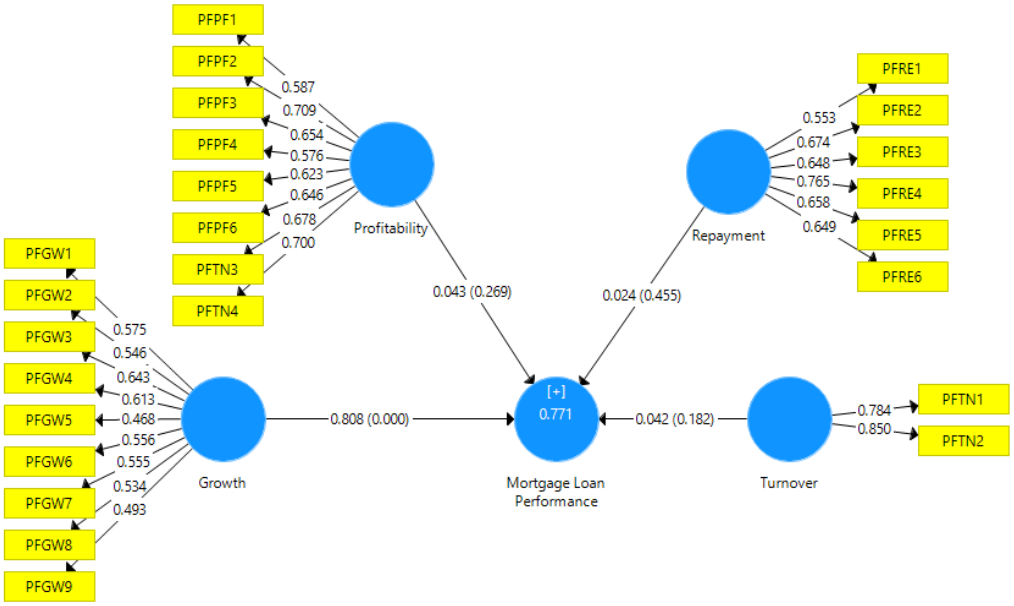
	β	Std. Error	T Statistics	Sig.
Self-affiliation ➡ Perceived Mortgage Risk	.640	.014	46.511	.000
Self-directed ➡ Perceived Mortgage Risk	.499	.170	2.931	.004

Source: Field data

3.8.5 Measurement Model for Mortgage Loan Performance

The measurement model for mortgage loan performance showed that the variable is indeed explained by only one-dimension which is growth.

Figure 3.5: Measurement Models for Mortgage Loan Performance



The results for the measurement model, show that growth describes the greatest variance of the mortgage loan performance (β = .808, p<.05). Likewise, this dimension has the greatest number of items that describe it (9 items). The results revealed that profitability, repayment and turnover are not accounting for a significant variance of the global variable with 8, 6 and 2 items respectively. The results showed that growth, profitability, repayment and turnover explained mortgage loan performance up to the tune of 77.1%. The results were further presented using the table indicated below

Table 3.6: Measurement Model Estimates

	β	Std. Error	T *Statistics*	Sig.
Growth ⟶ Mortgage Loan Performance	.808	.028	29.071	.000
Profitability ⟶ Mortgage Loan Performance	.043	.039	1.108	.269
Repayment ⟶ Mortgage Loan Performance	.024	.032	.748	.455
Turnover ⟶ Mortgage Loan Performance	.042	.031	1.337	.182

3.9 Data Processing and Analysis

The researcher collected, cleaned, coded and classified data into categories. The data was edited and entered into the data editor of Statistical Package for Social Scientists (SPSS V23) software for analysis. This study also used the partial least squares structural equation modeling (PLS-SEM) because it enables researchers to model and estimate complex cause-effects relationship models. The main reasons for the increasing popularity of PLS-SEM are its capability to estimate very complex models and its relaxed data requirements. The researcher presented data using descriptive and inferential statistics where frequency tabulations were used to present the data on demographic characteristics while for the research objectives, the Pearson correlation matrix and regression analysis were used. The researcher used correlation analysis to test the relationships between social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans while, regression analysis was used to study the combined effect of social norms, product awareness, customer attitudes and perceived mortgage risk on performance of mortgage loans.

3.10 Ethical considerations

When carrying out research, the following ethical considerations were observed by the researcher. Permission of the respondents who were under study was requested from them to conduct the research involving them. The study avoided causing physical or emotional harm to the respondents who were part of the study. Objectivity during the research was emphasized so as to eliminate personal biases and opinions. This was done by using generalized questions in the research instruments and to avoid bias on the part of the researcher. Anonymity of the respondents was taken care of during the study, by omitting names of respondents on the questionnaires and

using codes for individuals who were interviewed, so as to avoid victimization and this was informed to the respondents.

3.11 Conclusion

The chapter introduced and explained the methodological aspects that were followed when constituting the population, selecting the sample size, the sampling methods to be used, the data collection methods and instruments to be employed during the study, quality control of the instruments, and measurement of the variables, data analysis and ethical considerations. This set ground for chapter four which dealt with presentation, analysis and interpretation of the results of the study.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

Under this chapter a presentation and interpretation of the results of the study are given. The chapter is made up of four sections which include response rate, the demographic characteristics (staff, customers and banks), relationships between the study variables and regression analysis. Section one presents the response rate of the questionnaires that were returned from the field. Section two presents the staff demographic characteristics showing, gender, level of education, growth/decline of annual average mortgage loan sales, profitability of mortgage loan financing, tenure of bank existence and bank worked for by staff. The demographic characteristics for customers included; gender, repayment duration, level of education, type of employment and bank from which mortgage loan was acquired. The bank sample characteristics comprised years of operation, bank ownership and number of bank staff. Under this section, the presentation begins with a description of the demographic characteristics for staff, customers and banks using frequency tabulation. The third section of the chapter presents results on the relationships between the study variables using correlation analysis. Section four presents the results of the combined effect of the independent variables on the dependent variable using the regression analysis.

4.2 Response Rate

During data collection, the researcher had to collect data from 10 commercial banks in which 16 questionnaires were distributed to the selected bank staff and 36 questionnaires were distributed to bank customers who had mortgages with banks, serviced their mortgages or were applying for mortgages bringing the total to 520 questionnaires. Out of the 520 questionnaires that were

distributed, 481 were usable questionnaires from the different commercial banks giving a response rate of 92.5%. The results are presented in table 4.1 below.

Table 4.1: Response Rate

Respondent Category	Acquired	Target	Response Rate
Customers	326	360	
Staff	135	160	
Total	**481**	**520**	**92.5%**

Source: Field data

4.3 Demographic Characteristics

For the demographic characteristics, frequency tabulations were used to present variations in responses of the selected respondents based on gender, level of education, growth/decline of annual average mortgage loan sales, profitability of mortgage loan financing, tenure of bank existence and bank worked for by staff. For customers, they included gender, repayment duration, level of education, type of employment and bank from which mortgage loan was acquired. For the banks, they comprised of years of operation, bank ownership and number of bank staff. The results of the staff demographic characteristics were presented in table 4.2, the results of customer demographic characteristics were presented in table 4.3 whereas, the results of bank demographic characteristics were presented in table 4.4.

4.3.1 Staff Demographic Characteristics

Frequency tabulation was used by the researcher to present gender, level of education, growth/decline of annual average mortgage loan sales, profitability of mortgage loan financing, tenure of bank existence and bank worked for by staff distribution as shown in table 4.2 below.

Table 4.2: Descriptive Characteristics for Respondents

Gender	**Count**	**Percentage**
Male	69	51.1
Female	66	48.9
Level of Education	**Count**	**Percentage**
Diploma	2	1.5
Bachelor's degree	90	67.2
Master	41	30.6
PhD	1	0.7
How average annual mortgage loan sales grow/decline compared to the industry average?	**Count**	**Percentage**
Poor	11	8.1
Average	69	51.1
Outstanding	55	40.7
Overall, how profitable has mortgage financing been over the last financial year?	**Count**	**Percentage**
Very Unprofitable	14	10.4
Average	66	48.9
Very Profitable	55	40.7
Period of Bank Existence	**Count**	**Percentage**
0 - 5 yrs	6	4.4
5 - 10 yrs	12	8.9
10 - 25 yrs	73	54.1
Over 25 yrs	44	32.6
Which bank do you work for?	**Count**	**Percentage**
Stanbic Bank	17	12.6
Standard Chartered Bank	15	11.1
Housing Finance Bank	8	5.9
DFCU Bank	16	11.9
KCB Bank	17	12.6
Equity Bank	16	11.9
Centenary Bank	14	10.4
ABSA	15	11.1
Bank of Baroda	16	11.9
Post Bank Uganda	1	0.7

Source: Field data

From the results in table 4.2 above, 51.1% of the respondents were male whereas, 48.9% were female. This implies that the banks employed more male staff compared to their female counterparts much as, the two genders had an almost equal count. This signifies that the mortgage departments of banks employed both female and male staff.

From the results above, 67.2% of the respondents were degree holders, 30.6% were masters holders, 1.5% were diploma holders, whereas, PhD holders were 0.7%. The results provide confirmation that information was acquired from respondents who possessed the ability to read and process the contents of the questionnaire and thereafter provided the suitable responses to the study. This implies that the banks employed well qualified staff who could efficiently handle the mortgage product operations.

From the results in table 4.2 above, 51.1% of the respondents showed that annual mortgage loan sales were average compared to the industry mean, 40.7% felt that they were outstanding and only 8.1% perceived them to be poor compared to the industry mean. This is confirmation that the product was not performing at the expected pace to cause the required turnover and benefit to the stakeholders.

According to the results in table 4.2 above, 48.9% of the respondents revealed that the profitability of mortgage financing over the previous financial year was average. However, 40.7% were inclined to the fact that it was very profitable and only 10.4% felt it was very unprofitable. The results imply that the product was performing averagely and therefore called for improvement on the part of the banks offering the product.

From the table above, 54.1% of the respondents revealed that their bank had been in existence for 10-25 years; 32.6% stated that their bank had existed for over 25 years; 8.9% were of the view that their bank had been in existence for 5-10 years; whereas, 4.4% revealed that their bank had been operational for 0-5 years. This implies that some banks had been offering mortgages for a longer period of time and gradually others had come on board to offer the product.

In regard to the distribution of staff employment in the different banks, Stanbic bank and KCB bank each employed 12.6%; DFCU bank, Equity bank and Bank of Baroda each employed 11.9%; Standard Chartered Bank and ABSA bank each employed 11.1%; Centenary bank employed 10.4%; Housing Finance Bank employed 5.9%; and PostBank Uganda employed 0.7%

4.3.2 Customer Sample Characteristics

To present the customer demographic characteristics, frequency tabulations were used to show variations of responses based on their characteristics which included gender, repayment duration, level of education, type of employment and bank from which mortgage loan was acquired. The results are presented in tables 4.3.

Table 4.3: Descriptive Characteristics for Customers

Gender	**Count**	**Percentage**
Male	201	61.7
Female	125	38.3
Repayment duration	**Count**	**Percentage**
0-5 yrs	47	14.4
5-10 yrs	180	55.2
10-25 yrs	46	14.1
Over 25 yrs	53	16.3
Level of Education	**Count**	**Percentage**
No Education	7	2.1
Primary	7	2.1
Secondary	18	5.5
Diploma	53	16.3
Bachelor's degree	188	57.7
Masters	50	15.3
PhD	3	0.9
Type of Employment	**Count**	**Percentage**
Contract	80	24.5
Permanent	246	75.5
Bank offering mortgage loan	**Count**	**Percentage**
Stanbic	14	4.3
Standard Chartered Bank	36	11.0
Housing Finance Bank	38	11.7
DFCU Bank	36	11.0
KCB Bank	34	10.4
Equity Bank	35	10.7
Centenary Bank	38	11.7
ABSA	37	11.3
Bank of Baroda	36	11.0
Post Bank Uganda	22	6.7

Source: Field data

From the results in table 4.3, 61.7% of the respondents were male while 38.3% were female customers. This implies that much as there were more male customers who took up mortgages, there was a sizeable number from their female counterparts.

According to the results in the table above, 55.2% of the respondents showed that their mortgage repayment duration was 6-10 years, 16.3% revealed that theirs was over 25 years, 14.4% had been given duration of 0-5 years within which to clear their mortgages and 14.1% were required to clear their mortgages within a period of 11-25 years. This implies that the banks offered mortgage products with varying repayment durations.

Table 4.3 above shows that the majority of the customers were degree holders (57.7%), 16.3% held diploma qualifications, 15.3% were masters degree holders, 5.5% had acquired secondary level of education, 2.1% were either primary school leavers or had no level of education at all, and 0.9% were PhD holders. This implies that the mortgage product was more attractive to the educated class of customers who were able to understand the terms and conditions of the banks.

According to the results above, the majority of the customers were on permanent terms of employment (75.5%) while 24.5% on contractual terms. From the results there were more customers of permanent terms of employment compared to those on contractual terms. This implies that since the majority were on permanent terms of employment, the banks found them less risky to offer mortgages given that they were traceable and could service the lifespan of their mortgages unlike their counterparts whose employment contracts would expire before the lifespan of the loans.

From the results on banks offering loans, it was revealed that Housing Finance Bank and Centenary Bank had the majority of customers at 11.7% each; ABSA Bank had a share of 11.3% of customers; Standard Chartered Bank, DFCU Bank and Bank of Baroda had each 11% of the share of customers; Equity Bank had 10.7%; KCB Bank had 10.4%; PostBank Uganda had 6.7%; and Stanbic Bank had 4.3% of the share of customers.

4.3.3 Bank Demographic Characteristics

Frequency tabulation was used by the researcher to present years of operation, bank ownership and number of bank staff distribution as shown in table 4.4 below.

Table 4.4 Bank Characteristics

Years of Operation	**Count**	**Percentages**
Less than 20 yrs	2	20.0
20 - 40 yrs	1	10.0
Over 40 yrs	7	70.0
Total	10	100.0
Ownership	**Count**	**Percentages**
Local	2	20.0
Foreign	8	80.0
Total	10	100.0
Employees	**Count**	**Percentages**
Less than 400	2	20.0
400 - 800	5	50.0
Over 800	3	30.0
Total	10	100.0

Source: Field data

The results showed that 70% of the banks had been operational for over 40 years (70%), 20% had been in existence for less than 20 years whereas, 10% had been in operation for 20-40 years.

From the results in table 4.4 above, 80% of the banks were foreign owned whereas, 20% were locally owned. This implies that the majority of the banks offering mortgages were foreign owned signifying that these banks had more experience in mortgage financing compared to locally owned banks.

The results showed that 50% of the banks employed 400-800 employees, 30% employed over 800 employees and 20% employed less than 400 employees.

4.4 The Relationship between the Study Variables

Under this section, the results that deal with the research objectives are presented and Pearson's Correlation Test was used to answer the study research questions. To examine the relationship among the variables, a Zero-order correlation table was generated. The Pearson correlation coefficient (r) was used to establish the relationship between social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans.

Table 4.5: Relationships between Variables

	Mean	SD	1	2	3	4	5
Social Norms-1	2.977	.852	1.000				
Product Awareness-2	3.196	.851	.462**	1.000			
Customer Attitudes-3	3.238	.997	.344**	.417**	1.000		
Perceived Mortgage Risk-4	2.918	.909	-.489**	-.472**	-.167**	1.000	
Performance of Mortgage Loans-5	3.249	.772	**.424****	**.484****	**.467****	**-.441****	1.000

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field data

4.4.1 Social Norms and Performance of Mortgage Loans

The results in table 4.5 above showed that there was a significant positive relationship between social norms and performance of mortgage loans ($r = 0.424^{**}$, $p < .01$). This implies that a unit change in social norms would cause a corresponding 42.4% change in the performance of mortgage loans. This implied that for the banks to achieve higher performance of the mortgage product, there was need to design the product attributes in relation to societal values, market expectations and behavioural change. This could be done through banks revealing the advantages of living in organized and planned housing estates. These results support the idea that availability of the required strategies to address challenges of social norms among customers, caused a corresponding effect on the performance of mortgage loans in commercial banks.

4.4.2 Product Awareness and Performance of Mortgage Loans

Correlation results indicated a significant positive relationship between product awareness and performance of mortgage loans (r =.484**p<.01). This is substantiation that customers' ability to recognize and recall the mortgage product had a positive effect on the performance of mortgage loans in commercial banks. The results imply that if commercial banks put in place favourable customer awareness strategies to promote the mortgage product, they would have a positive effect on the profitability, turnover, growth and repayment of mortgage loans.

4.4.3 Customer Attitudes and Performance of Mortgage Loans

According to the results in table 4.5 above, the correlation results indicated a significant positive relationship between customer attitudes and performance of mortgage loans (r=.467**, p<.01). This is indicative of the fact that the more the consumer's beliefs, perceptions and dispositions were influenced towards mortgage acquisition, the more this would cause a corresponding increase in the sale of mortgage products by the banks. The growth in the turnover of the mortgage portfolio will result into higher profitability. This implies that a positive change in customer attitudes enhances the performance of mortgage loans.

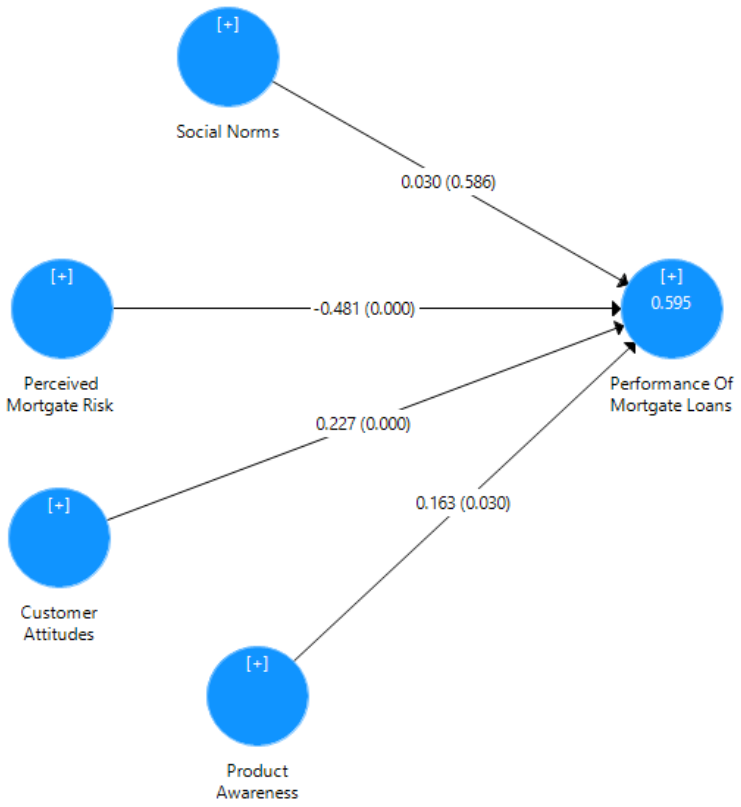
4.4.4 Perceived Mortgage Risk and Performance of Mortgage Loans

Correlation results revealed a significant negative relationship between perceived mortgage risk and performance of mortgage loans (r = -.441**, p<.01). According to the results, it is clear that perceived mortgage risk had a negative effect on the performance of mortgage loans. This imp lied that customers' inclination on self-directed perceptions and social affiliations had a negative influence on the profitability, turnover, growth and repayment of mortgage loans. Therefore, commercial banks offering mortgage financing should endeavour to eliminate the negative perceptions held by the public towards mortgage loans.

4.5 Regression Analysis

A regression analysis was carried out to examine the extent to which social norms, product awareness, customer attitudes, perceived mortgage risk affected performance of mortgage loans. The overall ability of social norms, product awareness, customer attitudes and perceived mortgage risk to explain the performance of mortgage loans, was presented using the regression model in the figure and table below.

Figure 4.1: Structural Model for Study Variables



According to the results, there was a linear relationship between product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans. The model revealed that 59.5% of the increment or decrease in the performance of mortgage loans can be explained by product awareness, customer attitudes and perceived mortgage risk since the Adjusted R Square value is .595.

Table 4.6: Structural Model for Study Variables

	β	Std. Error	T Statistics	*p Values*
Social Norms ➡ Performance of Mortgage Loans	.030	.054	.545	.586
Product Awareness ➡ Performance of Mortgage Loans	.163	.075	2.175	.030
Customer Attitudes ➡ Performance of Mortgage Loans	.227	.050	4.520	.000
Perceived Mortgage Risk ➡ Performance of Mortgage Loans	-.481	.049	9.849	.000

p-value is the level of significance (p)
p < or = 0.05, Relationship is significant
p> 0.05, Relationship is NOT significant

Source: Field data

From the results, customer attitudes were the strongest significant predictor of mortgage loan performance (β=.227, p<.05) followed by product awareness (β=.163, p<.05) and perceived mortgage risk (β=-.481, p<.05). However, social norms were not a significant predictor of mortgage loan performance (β=.030, p>.05).

4.5.1 Social Norms and Performance of Mortgage Loans

The results showed that there is a non-significant relationship between Social Norms and the Performance of Mortgage Loans (β = .030, *p* >.05). This may be attributed to the transition of citizenry values, expectations and behaviours in regard to the location of their homes. This has led to acquisition of mortgage loans to own homes in urban areas where people reside in housing estates, apartments and bungalows, which are different from living in communal settings. Likewise, the rise in literacy levels and technology has enhanced information sharing which has promoted exposure and adoption of western cultures that favour living in housing estates, apartments and condominium settings.

4.5.2 Product Awareness and Performance of Mortgage Loans

The results showed that there is a significant relationship between product awareness and the performance of mortgage loans ($\beta = .163$, $p < .05$). From the results, a positive change in product awareness would contribute a .163 increase in the performance of mortgage loans. This implies that the public being able to recognize the importance of mortgage financing, and is able to remember and comply to the set borrowing terms of mortgage loans, enhances the profitability, growth, turnover and repayment of mortgage loans.

4.5.3 Customer Attitudes and Performance of Mortgage Loans

The results showed that customer attitudes were significant predictors of the performance of mortgage loans ($\beta = .227$, $p < .05$). This is justification that a positive change in customer attitudes would result into a .227 enhancement in the performance of mortgage loans. Therefore, commercial banks should draw attention to developing strategies that are aligned to favourable customer beliefs, perceptions and affects in a bid to promote the performance of mortgage loans.

4.5.4 Perceived Mortgage Risk and Performance of Mortgage Loans

The results showed that perceived mortgage risk is a significant negative predictor of the performance of mortgage loans ($\beta = -.481$, $p < .05$). This confirms that a reduction in the unfavourable perceptions about mortgage products results into a .481 enhancement in the performance of mortgage loans in regard to profitability, growth, turnover and repayment. From the results, perceived mortgage risk predicted more of the performance of mortgage loans in commercial banks necessitating that commercial banks should develop strategies that reduce or eliminate the negative perceptions about mortgage financing. In the same vain, successful mortgage customers should be used as ambassadors of the mortgage product.

4.6 Summary of the Chapter

Chapter Four has presented results on demographic characteristics for staff and customers using frequency tabulations, correlation analysis to present the relationships between the study variables and regression analysis to present the combined effect of the study variables on the performance of mortgage loans. This chapter has revealed that there were significant positive correlations between all the study variables. The regression model has shown that 59.5% of the variance in the performance of mortgage loans is accounted for by product awareness, customer attitudes and perceived mortgage risk. However, social norms were not significant predictors of the performance of mortgage loans. The next chapter discusses these observed findings and provides recommendations.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusions, and recommendations arising out of the research findings in chapter four and suggests areas for further study.

5.2 Summary of the Findings

The study sought to investigate the relationship between social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans in selected commercial banks. From the staff sample characteristics, male respondents were more responsive possessed degree level of education and in regard to growth/decline of annual average mortgage loan sales, the majority revealed that they were average as was in the case of the profitability of mortgage loan financing. The majority had been employed for 5-10 years and worked in Stanbic Bank and KCB Bank. The customer characteristics revealed that the majority of the customers were male and paid their loans within 6-10 years. The majority of the customers held degree level of education and were employed on permanent terms. From the findings, Housing Finance Bank and Centenary Bank had the majority of customers. From the bank sample characteristics, the majority of banks had been operational for over 40 years, the majority were foreign owned, whereas, most of the banks employed 400-800 staff. According to the correlational findings of the study variables, the findings revealed significant positive and significant negative relationships among the study variables with performance of mortgage loans. Similarly, the correlational results were in line with the regression analysis which revealed that product awareness, customer attitudes and perceived mortgage risk predicted performance of mortgage loans in selected commercial banks except for social norms,

5.3 Discussion of the Findings

5.3.1 Social Norms and Performance of Mortgage Loans

The findings indicated a significant positive relationship between social norms and performance of mortgage loans which signified that when the banks develop strategies that are in support of the customer values, expectations and behaviours, this promotes growth of the mortgage product, increases the turnover of the product and enhances loan repayment. This could be done through banks influencing customer social norms by showing the advantages of living in organized and planned housing estates. The outcome of all this would be profitability of the product. In support of the findings, Melnyk, et. al., (2022) posit that social norms and moral considerations have been shown to influence economic decisions in the mortgage sector. Melnyk, et. al., (2019) assert that people's behaviour is influenced by their perception of how other members of their social group behave. Vishal and Akhilesh (2016) established that the social norms and moral obligations influence a borrower's willingness to pay back his or her mortgage. Importantly, the effects of moral and social factors are different for borrowers defaulting involuntarily due to liquidity constraints and borrowers likely to default voluntarily due to the magnitude of the mortgage.

If the interface between the level of housing fairness and the social/moral factors is not accounted for, the effect of the social and moral factors is a small fraction of the effects of purely economic factors. Melnyk, et. al., (2019) suggest that mortgage lending is as much a social process as it is an economic decision, and highlight the importance of local context in shaping what has predominantly been construed as an economic transaction. Therefore, understanding how local context influences mortgage market outcomes is critical, particularly as policymakers and regulators revisit issues related to consumer protection and access to credit. Melnyk, et. al., (2022) identified four locally embedded social mechanisms that could influence the mortgage origination

process among which included linking disconnected actors, providing information about exchange, creating reputational controls, and shaping preferences. She points out that borrowers who received loans from lenders that worked through housing counsellors and provided face-to-face financial education were less likely to default than borrowers who had no well established relationships with the banks.

5.3.2 Product Awareness and Performance of Mortgage Loans

The findings showed that there was a significant positive relationship between product awareness and performance of mortgage loans in the banking sector in regard to profitability, growth, turnover and payment. This was evidence of the fact that when banks provide information about mortgages, it helps their products to standout for recognition and recall by the customers. The fact that customers have the capacity to recognize and recall the banks' mortgage products, will have a positive effect on the product success. In line with the findings, Mildawati (2022) points out that even though consumers familiarize and are willing to purchase a product, awareness is still an important factor to influence mortgage performance. Jimad (2020) has pointed out that consumers lack perfect information on mortgage market products, and their preferences are flexible and subject to influence such as marketing and the framing of choices.

On the other hand, Rani and Aravind (2021) assert that a product with a high level of brand awareness will receive higher consumer preferences because it has higher market share and quality evaluation. The willingness of the customers to acquire mortgages consists of problem identification, information search, evaluating the alternatives, entering into contract and post-loan repayment. Therefore, bank customers require information, comprehensive advice, honesty, integrity, consistency, responsiveness, commitment and value for money, so as to take on mortgages.

5.3.3 Customer Attitudes and Performance of Mortgage Loans

According to the findings, there was a significant positive relationship between customer attitudes and performance of mortgage loans which is confirmation that the performance of mortgage loans was dependent on customer beliefs, cognitions and affects. Therefore, the banks needed to influence customer attitudes in favour of the mortgage products in a bid to make them attract a return on investments, enhance their turnover, improve their settlement and make a profit for the institutions. In agreement with the findings, Vishal and Akhilesh (2016) believe that consumers' who regard familiarity and products with good brand image, will have higher brand attitudes and performance of the product. Shastry, et. al., (2021) argue that when consumers' familiar degree to the products is higher, the better will be the confidence and attitude to the products and the higher will be the purchase intention.

5.3.4 Perceived Mortgage Risk and Performance of Mortgage Loans

The findings indicated a significant negative relationship between perceived mortgage risk and performance of mortgage loans which was proof that for the banks to make mortgages attract a return on investment, enhance their turnover, improve their settlement and make a profit for the institutions, they had to reduce, transfer and share the perceived risk of the product. Here the banks can reduce the risk through the customer evaluation process, share the risk through collateral provision and transfer the risk through insurance of the facility. Likewise, the banks need to exhibit a high level of transparency and disclosure of the product information to the borrower so as to reduce the perceived risk of mortgage acquisition.

In line with the findings, Kim and Ziobrowski (2016) are of the view that perceived mortgage risk arises from non-performance by a borrower and that on the other hand, it may be a result of an inability or an unwillingness to pay on the part of the borrower. They further posit that this affects

the bank holding the loan contract, as well as other lenders to the creditor. Consequently, the real risk from mortgage loans is the deviation of portfolio performance from its expected value. According to van Ooijen and van Rooij (2016), mortgage risk arises as a result of the high magnitude of the housing loans in comparison with the income of the borrower and the less developed regulatory and legal frameworks for mortgage loans recovery. The fact is that banks, in case of default, will be in a difficult position to easily convert mortgaged property into liquid funds without entering into a lengthy and costly legal procedure. Kim and Ziobrowski (2016) present survey evidence that borrowers most often cite rate resets as the primary mortgage characteristic leading them to default. Even consumers, who may be customers to several banks in order to get better rates or reduce their risk, ask for improved communication about products and conditions, quality and professionalism in bank staff and offerings.

5.4 Conclusions

The conclusion of the study was made in accordance with the study objectives.

The findings validate that social norms were an integral part of the performance of mortgage loans in the banking sector. This indicates that social norms in regard to values, expectations and behaviours positively affected the performance of mortgage loans in commercial banks. This is justification that social norms were vital in promoting the performance of mortgage loans in banks. Therefore, when the banks are able to ensure favourable social norms, this will have a positive effect on the performance of mortgage loans of commercial banks.

The findings on the relationship between product awareness and the performance of mortgage loans indicated a positive and significant relationship. This is justification that for banks to create the required product awareness about mortgage products, there was need for the banks to ensure

easy recognition and recall of available offered mortgage products so as to promote their performance.

The findings showed that customer attitudes had a positive influence on the performance of mortgage loans which is implication that for the banks to realize effective performance of their mortgage products, they had to ensure that project activities are profitable, promote growth, turnover and timely payment of loan instalments. This is indication that when the banks are able to shape customer beliefs, cognitions and affects favourably, the much needed mortgage loans performance will be realized.

The findings revealed that there was a significant negative relationship between perceived mortgage risk and the performance of mortgage loans which is justification that for the banks to realize profitability, growth, increased turnover as well as timely payment of instalments of loans from customers, the banks had to ensure that all issues pertaining to perceived mortgage risk are adequately and efficiently addressed. This is because when a bank has efficient strategies to mitigate mortgage risk, it will promote the performance of mortgage loans in the banking sector.

5.3 Recommendations

In light of the research findings, the following recommendations are made:

i) According to the findings, product awareness and customer attitudes were found to be the major predictors of performance of mortgage loans. Therefore, the management of commercial banks should put a lot of emphasis on designing strategies that are inclined or account for recall, recognition, beliefs, cognitions and affects so as to attract more would be customers of mortgage loans; so banks must make a deliberate effort to change the

publics' mindsets towards mortgage financing through opinion leaders and formers such as clan leaders, celebrities, religious leaders, government and development partners.

ii) According to the findings, the relationships between the social norms, product awareness, customer attitudes and performance of mortgage loans, were significant and positive. Therefore, the management of the commercial banks should put a lot of attention on the significant relationships as these will have a positive effect on the attitudinal, behavioural, cognitive and awareness aspects of mortgage financing.

iii) The findings of the study revealed that perceived mortgage risk had a negative effect on the performance of mortgage loans. The perceived mortgage risk originates from the fear not to be able to repay the mortgage, loss of collateral and reputation, interest rate changes and changing societal cultural values. The study recommends that banks should put in place strategies to reduce, transfer and share mortgage risk as this will build confidence in the product on the part of the customers. This will translate into better performance in regard to profitability, turnover, growth and return on investment.

iv) The results of the study point to a number of opportunities for strategy review in regard to product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans. The management of commercial banks should therefore, assess regularly the performance of mortgage loans in regard to profitability, turnover, growth and return on investment and carry out review of the strategies being used to promote mortgage financing through customer awareness and customer attitude change and perceived mortgage risk.

v) From the findings, it was clear that in order to shape mortgage financing, banks needed to make the product more attractive and affordable in regard to product attributes such as interest rates, repayment period, loan restructuring and grace periods.

5.4 Limitations of the study

i) Bias from the respondents to simply fill the questionnaires to please the researcher. The researcher conducted a face to face interaction to clarify the purpose and objective of the study.

ii) On looking at the limited time which the researcher had to conduct the study, respondents may suspect that the research findings are to be used for other purposes while others are likely to delay the questionnaires because of busy schedules. Here the researcher used a cover letter from the Graduate and Research Centre to mitigate the outcome.

iii) The scales in the questionnaire were adopted from other studies conducted in different environments from that of Uganda, which is likely to cause bias. The researcher engaged experts in the fields of banking to moderate the scales adapted to fit the local environment.

iv) Fear of giving confidential information as viewed by the organization they work for. Here the researcher assured them of at most-good faith with supporting documents for undertaking the study.

5.5 Areas for further study

i) This study concentrated on social norms, product awareness, customer attitudes, perceived mortgage risk and performance of mortgage loans. Future research should attempt to collect data on the financial sector using other study variables which were not part of the study.

ii) The study adopted a cross sectional survey design which studied the state of affairs on mortgage loan performance in the financial sector at a point in time. To study the true nature and quality of the relationship between social norms, product awareness, customer

attitudes, perceived mortgage risk and performance of mortgage loans, a longitudinal study is more appropriate.

iii) The study concentrated on Kampala district as the area scope. Further studies carried out on the mortgage sector could comprise of a wider area scope including other districts and or regions.

iv) The model could only explain 59.5% of the variance in mortgage loan performance failing to account for 40.5% of the variance in mortgage loan performance. Future studies should comprise of other variables that were not part of the model to predict the variance in mortgage loan performance.

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APPENDIX I

QUESTIONNAIRE FOR STAFF

Dear Respondent,

This questionnaire is aimed at collecting data to undertake a study on Social Norms, Product Awareness, Customer Attitudes, perceived mortgage risk and Performance of Mortgage Loans: The Case of Performance of Mortgage Loans in the Banking Industry. The research is in partial fulfillment of the requirements for the award of a Master of Science in Marketing of Makerere University. All information provided will be treated with utmost confidentiality and will be used for purely for academic purposes.

Thank you for your time and cooperation

SECTION I: GENERAL INFORMATION

Please tick the appropriate box for the questionnaire that follows below:

Staff Demographic Characteristics

1. Gender: Male ☐ Female ☐

2. Level of Education

Code	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Level	No Education	Primary	Secondary	Diploma	Bachelor's degree	Masters	PhD
Tick							

3. How does average annual mortgage loan sales grow/decline compared to the industry average?

Code	**1**	**2**	**3**
Level	poor	Average	outstanding
Tick			

4. Overall, how profitable has mortgage financing been over the last financial year?

Code	**1**	**2**	**3**
Level	Very unprofitable	average	Very profitable
Tick			

6. Tenure of the Bank Existence

Code	**1**	**2**	**3**	**4**
Duration	0-5yrs	5-10 yrs	10-25 yrs	Over 25 yrs
Tick				

5. Which bank do you work for?

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Stanbic bank	Standard Chartered Bank	Housing Finance Bank	DFCU Bank	KCB Bank	Equity Bank	Centenary Bank	ABSA	Bank of Baroda	Post Bank Uganda

Please indicate by ticking in the appropriate box to what extent you agree/disagree to the following statements below.

SECTION II: PERFORMANCE OF MORTGAGE LOANS

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

	Items					
	Profitability	**SD**	**D**	**NS**	**A**	**SA**
1	Net Interest Margin (NIM) of the bank has risen over the years	1	2	3	4	5
2	The bank's ratio of net income to average total assets is good	1	2	3	4	5
3	Our bank's ratio of net income to average equity is favourable	1	2	3	4	5
4	The bank's revenue from loan origination fee is growing	1	2	3	4	5
5	Gain on sale of mortgage loans of the bank is rising	1	2	3	4	5
6	The bank's cost-to-income ratio is competitive in the sector	1	2	3	4	5
7	Non-interest income had contributed to overall profitability	1	2	3	4	5
8	The bank has lower delinquency and default rates	1	2	3	4	5
	Growth	**SD**	**D**	**NS**	**A**	**SA**
1	The total value/number of mortgages originated over time has increased	1	2	3	4	5
2	The bank's loan applications have increased over the years	1	2	3	4	5
3	The market share of the bank has expanded	1	2	3	4	5
4	The portfolio size of the bank has risen	1	2	3	4	5
5	There is increasing loan balances at the bank	1	2	3	4	5
6	Over the years, there has been average annual growth in mortgage loans sales	1	2	3	4	5
7	The ratio of the total number of the financial institutions' customers to the total number of clients sold to was good	1	2	3	4	5
8	The ratio of the banks' total annual mortgage loan sales to the total number of bank customers was good.	1	2	3	4	5
9	The bank's percentage of repeat business or customer retention rate is high	1	2	3	4	5
	Turnover	**SD**	**D**	**NS**	**A**	**SA**
1	The performance of mortgage loan sales per bank to clients was good	1	2	3	4	5
2	There was a decline in mortgage loan sales per bank.	1	2	3	4	5
	Repayment	**SD**	**D**	**NS**	**A**	**SA**
1	Borrowers promptly settle their monthly mortgage loan obligations	1	2	3	4	5
2	Monthly loan repayments are not strenuous for customers	1	2	3	4	5
3	The bank offers favorable loan repayment terms.	1	2	3	4	5
4	The monthly mortgage payment amount of the bank is good	1	2	3	4	5
5	The bank's payment-to-income ratio is high	1	2	3	4	5
6	Customers pay their loans off before their scheduled maturity date	1	2	3	4	5

Thank you

APPENDIX II

QUESTIONNAIRE FOR CLIENTS

Dear Respondent,

This questionnaire is aimed at collecting data to undertake a study on Social Norms, Product Awareness, Customer Attitudes, perceived mortgage risk and Performance of Mortgage Loans: The Case of Performance of Mortgage Loans in the Banking Industry. The research is in partial fulfillment of the requirements for the award of a Master of Science in Marketing of Makerere University. All information provided will be treated with utmost confidentiality and will be used for purely for academic purposes.

Thank you for your time and cooperation

SECTION I: GENERAL INFORMATION

Please tick the appropriate box for the questionnaire that follows below:

Demographic Characteristics

1. Gender: Male ☐ Female ☐

2. State the repayment duration

Code	**1**	**2**	**3**	**4**
Duration	0-5yrs	5-10 yrs	10-25 yrs	Over 25 yrs
Tick				

3. Level of Education

Code	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Level	No Education	Primary	Secondary	Diploma	Bachelors degree	Masters	PhD
Tick							

4. Type of Employment

Code	**1**	**2**
Type	Contract	Permanent
Tick		

5. From which bank did you acquire your mortgage loan?

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Stanbic bank	Standard Chartered Bank	Housing Finance Bank	DFCU Bank	KCB Bank	Equity Bank	Centenary Bank	ABSA	Bank of Baroda	Post Bank Uganda

Please indicate by ticking in the appropriate box to what extent you agree/disagree to the following statements below.

SECTION II: SOCIAL NORMS

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

	Items	**SD**	**D**	**NS**	**A**	**SA**
1	People who influence me at work think I should acquire mortgage loan	1	2	3	4	5
2	My subordinates at work think I should use a mortgage loan as a means of financing my property	1	2	3	4	5
3	I prefer the bank to extend me a mortgage loan at a small interest.	1	2	3	4	5
4	The bank extends mortgage loans in return for comparable benefits from customers	1	2	3	4	5
5	The bank does not expect prompt repayment of my mortgage loan.	1	2	3	4	5
6	The bank is less likely to keep track of customers' needs	1	2	3	4	5
7	The bank is more responsive to customers' emotional states	1	2	3	4	5
8	The bank is less responsive to customers' emotional states	1	2	3	4	5
9	My relatives and friends approve of my decision to acquire a mortgage loan	1	2	3	4	5
10	My relatives and friends think that I should acquire a mortgage loan	1	2	3	4	5

SECTION III: PRODUCT AWARENESS

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

	Items	**SD**	**D**	**NS**	**A**	**SA**
1	I am aware of mortgage loans	1	2	3	4	5
2	When I think of loans, mortgage loans come to my mind.	1	2	3	4	5
3	I am very familiar with mortgage loans.	1	2	3	4	5
4	I know the value I can get from mortgage loans.	1	2	3	4	5
5	I can recognize the values of mortgage financing.	1	2	3	4	5
6	Mortgage financing is a very reliable way of financing a property.	1	2	3	4	5
7	Mortgage financing is good value for money	1	2	3	4	5
8	I have a clear image of the type of person who would use mortgage financing.	1	2	3	4	5
9	I can recognize mortgage financing among competing bank loans	1	2	3	4	5
10	Some characteristics of mortgage financing come to my mind quickly	1	2	3	4	5
11	I know what mortgage financing can help me accomplish.	1	2	3	4	5
12	I have difficulty in imagining mortgage financing in my mind	1	2	3	4	5
13	I can quickly recall the banks which offer mortgage financing	1	2	3	4	5
14	Mortgage financing is very famous	1	2	3	4	5
15	Mortgage financing is well known	1	2	3	4	5
16	I see a lot of ads of mortgage financing	1	2	3	4	5
17	The ads of mortgage financing are very impressive	1	2	3	4	5

SECTION IV: CUSTOMER ATTITUDES

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

	Items	**SD**	**D**	**NS**	**A**	**SA**
1	Considering the interest rate on mortgage financing, I prefer mortgage loans	1	2	3	4	5
2	I like financing my properties with mortgage finance	1	2	3	4	5
3	I am committed to the payment of mortgage loan.	1	2	3	4	5

4	I would be willing to pay a higher price for a mortgage loan over the other types of loans offered by the bank	1	2	3	4	5
5	Acquiring mortgage financing generally benefits the borrower	1	2	3	4	5
6	There's nothing wrong with using mortgage financing to finance a property	1	2	3	4	5
7	Generally speaking, using mortgage financing to finance a property is a better choice	1	2	3	4	5

SECTION V: PERCEIVED MORTGAGE RISK

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

		SD	**D**	**NS**	**A**	**SA**
1	It is risky to acquire a mortgage loan to finance a property.	1	2	3	4	5
2	Mortgage loans are costly in the long run.	1	2	3	4	5
3	There may be inadequate time to rectify any deficiencies in the loan approval process	1	2	3	4	5
4	There is a likelihood of the bank providing less money to spend on the mortgage	1	2	3	4	5
5	There is a difficulty in proving that a loan evaluation officer's work is sub-standard	1	2	3	4	5
6	When I default on my loan my relationship with bank would be affected adversely	1	2	3	4	5
7	I would be less popular with the bank	1	2	3	4	5
8	I am suspicious of the quality of mortgage loans	1	2	3	4	5
9	Mortgage finance is a risky way of financing	1	2	3	4	5
10	Mortgage finance does not give value for money.	1	2	3	4	5
11	Mortgage finance is not a wise way of financing a property.	1	2	3	4	5
12	When I acquire a mortgage loan, the esteem my family or friends have for me may drop	1	2	3	4	5
13	When I acquire a mortgage loan others will not look at me the way I want them to	1	2	3	4	5
14	When I acquire a mortgage loan, I accept taking risks	1	2	3	4	5
15	I like to be sure that mortgage financing is good before acquiring it	1	2	3	4	5
16	I don't like to feel uncertainty about repayment when I acquire a mortgage loan.	1	2	3	4	5
17	The risk that I take when I acquire mortgage financing is high	1	2	3	4	5
18	There is high probability that I will fail to pay my mortgage loan	1	2	3	4	5
19	Using mortgage financing might be a bad decision	1	2	3	4	5

Thank you

APPENDIX III

LIST OF COMMERCIAL BANKS OFFERING MORTGAGE LOANS

Bank	**Branches**
ABSA Bank	Head Office Branch
	Kampala Road Branch
	Luwum Street Branch
Bank of Baroda	Head Office Branch
	Kampala Main Branch
	Rail Station Branch
Centenary Bank	Head Office Branch
	Kikuubo Branch
	Mapeera House Branch
DFCU Bank	Impala Branch
	Jinja Road Branch
	Kikuubo Branch
Equity Bank	Head Office Branch
	Venus Plaza Branch
	Jinja Road Branch
Housing Finance Bank	Kololo Branch
	Kampala Road Branch
	Pearl Branch
KCB Bank	Forest Mall Branch
	Kampala Road Branch
	Ben Kiwanuka Branch
PostBank Uganda Limited	City Branch
	Kampala Road Branch
	William Street Branch
Stanbic Bank	Corporate Branch
	Logogo Branch
	Garden City Branch
Standard Chartered Bank	City Branch
	Speke Road Branch
	Garden City Branch

APPENDIX IV



MAKERERE UNIVERSITY BUSINESS SCHOOL

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Faculty of Graduate Studies & Research

November 8, 2022

TO WHOM IT MAY CONCERN

Dear Sir/Madam

RE: KALULE SSENGO EMMANUEL MSC. MKT 2003/HD10/2229U

The above named is a student of Makerere University Business School pursuing studies leading to the award of Master of Science in Marketing of Makerere University. He joined the School in 2003 and has completed the course work component of the program. He is currently carrying out research on the topic: **"Social Norms, Product Awareness, Customer Attitudes and Performance of Mortgage Loans. The Case of Selected Commercial Banks".**

Any assistance rendered to him will highly be appreciated.

Thank you,

Makerere University Business School ★ Faculty of Graduate Studies And Research ★
08 NOV 2022

Nakiyingi Catherine
Senior Admin, FGSR